
Department of the Treasury



Fiscal Service, Bureau of the Public Debt

Regulations Governing Treasury Securities, New Treasury Direct System

Amendments to:

31 CFR Part 315, Department Circular 530

31 CFR Part 316, Department Circular 653

31 CFR Part 351, Department Circular, Public Debt Series 1-80

31 CFR Part 353, Department Circular, Public Debt Series 3-80

31 CFR Part 359, Department Circular, Public Debt Series 1-98

31 CFR Part 360, Department Circular, Public Debt Series 2-98

31 CFR Part 363

Amended March 23, 2005

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Parts 315, 316, 351, 353, 359, 360, and 363****Regulations Governing Treasury Securities, New Treasury Direct System****AGENCY:** Bureau of the Public Debt, Fiscal Service, Treasury.**ACTION:** Final rule.

SUMMARY: New Treasury Direct (also referred to as TreasuryDirect) is an account-based, book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. This rule sets forth the terms and conditions for the conversion of definitive savings bonds of Series E, Series EE, and Series I to book-entry savings bonds in New Treasury Direct. Conversion offers the investor the convenience of a book-entry product, rather than having to provide safe storage for a paper product until final maturity or redemption. Conversion offers the government cost savings in the elimination of paper transactions such as reissues and the replacement of lost bonds. Conversion will further the underlying principle of New Treasury Direct, which is to enable investors to do business with Treasury online.

DATES: Effective: March 23, 2005.

ADDRESSES: You can download this final rule at the following Internet addresses: <http://www.publicdebt.treas.gov> or <http://www.gpoaccess.gov/ecfr>.

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SUPPLEMENTARY INFORMATION: New Treasury Direct is an account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. Currently, book-entry Series EE and Series I savings bonds and certificates of indebtedness are offered

for purchase through New Treasury Direct.

For many years, Treasury has also offered definitive (paper) savings bond products with maturities up to 40 years. Now investors may convert eligible definitive savings bonds to book-entry savings bonds to be held in their New Treasury Direct accounts. Currently, Series E, Series EE, and Series I savings bonds, registered in the names of individuals in denominations of \$25 or greater, are eligible for conversion. The owner of a definitive bond registered in the single owner or owner with beneficiary form of registration may convert the savings bond to a book-entry bond. Either co-owner of a definitive bond registered in the co-owner form of registration may convert the savings bond to a book-entry bond. Bonds purchased as gifts for others may also be converted.

Definitive savings bonds have some contractual terms and conditions that are different from those for bonds originally issued as book-entry products. One of these differences is in the forms of registration available for definitive and for book-entry bonds. There are differences between the terms and conditions of a definitive bond registered in the coowner form of registration and a book-entry bond registered in the primary owner with secondary owner form of registration. There are also differences between the terms and conditions of a Series E bond registered in the owner with beneficiary form of registration and all other series of savings bonds, including book-entry bonds, registered in the same form of registration.

When bonds of all series registered in the single owner form of registration, and Series EE or Series I bonds registered in the owner with beneficiary forms of registration, are converted, the bonds will follow the same terms and conditions as bonds originally issued as book-entry bonds, since the owner, by converting, has consented to the changes in the terms and conditions (e.g., one result is that the coowner form of registration will no longer be available for transactions conducted after conversion). The owner may use any online transaction available for book-entry bonds, including the ability to transfer a bond to the New Treasury Direct account of any third party. The converted bonds will be governed by subpart C of 31 CFR part 363.

Bonds of all series registered in the coowner form of registration and Series E bonds registered in the owner with beneficiary form of registration will retain the protections for the non-converting coowner and beneficiary

until such time as the non-converting coowner or beneficiary consents to a transaction that involves a change in registration. By consenting to such a transaction, the non-converting coowner or beneficiary is consenting to the bond being governed by the terms and conditions for a bond originally issued as a book-entry bond (see subpart C of 31 CFR part 363). The coowner and protected beneficiary registrations will no longer be available for those bonds.

The purchaser of a definitive savings bond purchased as a gift for another may convert the bond to a book-entry bond in New Treasury Direct. We will presume that a bond that is not registered in the name of the account owner converting the bond as the single owner, either coowner, or the owner with a beneficiary, is a gift bond. The presumed gift bond will be released to the New Treasury Direct account of the account owner converting the bond. Once the gift bond has been placed in the account, the only transaction that the account owner may perform is to deliver the bond to the New Treasury Direct account of the registered owner. The registered owner may also request our assistance to deliver the bond to his or her account.

We have made changes to several parts of Chapter 31. Generally, we have made changes to the offering circulars and governing regulations of Series E, Series EE, and Series I savings bonds to introduce the concept of conversion and add the appropriate references to applicable regulations.

Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, a regulatory assessment is not required.

Because this final rule relates to matters of public contract and procedures for United States securities, notice and public procedure and delayed effective date requirements are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

As no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) does not apply.

We ask for no new collections of information in this final rule. Therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

List of Subjects**31 CFR Part 315**

Banks and banking, Government securities, Federal Reserve system.

31 CFR Part 316

Bonds, Government securities.

31 CFR Part 351

Bonds, Federal Reserve system, Government securities.

31 CFR Part 353

Banks and banking, Government securities, Federal Reserve system.

31 CFR Part 359

Bonds, Federal Reserve system, Government securities, Securities.

31 CFR Part 360

Bonds, Federal Reserve system, Government securities, Securities.

31 CFR Part 363

Bonds, Electronic funds transfer, Federal Reserve system, Government securities, Securities.

■ Accordingly, for the reasons set out in the preamble, 31 CFR Chapter II, Subchapter B, is amended as follows:

PART 315—REGULATIONS GOVERNING U.S. SAVINGS BONDS, SERIES A, B, C, D, E, F, G, H, J, AND K, AND U.S. SAVINGS NOTES

■ 1. The authority citation for part 315 continues to read as follows:

Authority: 31 U.S.C. 3105 and 5 U.S.C. 301.

■ 2. Amend § 315.0 by revising paragraph (a), to read as follows:

§ 315.0 Applicability.

* * * * *

(a) Definitive (paper) United States Savings Bonds of Series E that have not been converted to book-entry savings bonds in New Treasury Direct, and Series H and United States Savings Notes, and

* * * * *

■ 3. In § 315.2, redesignate paragraphs (b) through (p) as paragraphs (c) through (q) and add new paragraph (b), to read as follows:

§ 315.2 Definitions.

* * * * *

(b) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

* * * * *

■ 4. Add § 315.3 to read as follows:

§ 315.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.

Series E savings bonds that were originally issued as definitive bonds

may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is www.treasurydirect.gov. Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E

■ 5. The authority citation for part 316 continues to read as follows:

Authority: 31 U.S.C. 3105 and 5 U.S.C. 301.

■ 6. Amend § 316.2 by revising the first sentence of paragraph (a) to read as follows:

§ 316.2 Description of bonds.

(a) *General.* Definitive (paper) Series E bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. * * *

* * * * *

■ 7. Revise § 316.3 to read as follows:

§ 316.3 Governing regulations.

(a) The regulations in 31 CFR part 315 apply to definitive Series E bonds that have not been converted to book-entry bonds.

(b) The regulations in 31 CFR part 363 apply to definitive Series E bonds that have been converted to book-entry bonds through New Treasury Direct.

PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

■ 8. The authority citation for part 351 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 9. Amend § 351.1 by revising paragraphs (a) and (b) to read as follows:

§ 351.1 What regulations govern Series EE savings bonds?

(a) The regulations in 31 CFR part 353 apply to definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series EE savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series EE savings bonds that have been converted to book-entry bonds through New Treasury Direct.

* * * * *

■ 10. Amend § 351.3 by adding the definition for “Converted bond” to read as follows:

§ 351.3 What special terms do I need to know to understand this part?

* * * * *

Converted bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

* * * * *

PART 353—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES EE AND HH

■ 11. The authority citation for part 353 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3125

■ 12. Amend § 353.0 by revising the first sentence of paragraph (a) and paragraph (c), to read as follows:

§ 353.0 Applicability.

(a) The regulations in this part govern definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through New Treasury Direct and definitive Series HH savings bonds. * * *

* * * * *

(c) The regulations in 31 CFR part 363 govern Series EE savings bonds that were originally issued as book-entry bonds in New Treasury Direct and Series EE savings bonds that were converted to book-entry bonds through New Treasury Direct.

■ 13. In § 353.2, redesignate paragraphs (b) through (l) as paragraphs (c) through (m) and add new paragraph (b), to read as follows:

§ 353.2 Definitions.

* * * * *

(b) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

* * * * *

■ 14. Add § 353.3 to read as follows:

§ 353.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.

Series EE savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is <http://www.treasurydirect.gov>.

Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I

■ 15. The authority citation for part 359 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 16. Amend § 359.1 by revising paragraphs (a) and (b) to read as follows:

§ 359.1 What regulations govern Series I savings bonds?

(a) The regulations in 31 CFR part 360 apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

* * * * *

■ 17. Amend § 359.3 by adding the definition of “Converted bond”, to read as follows:

§ 359.3 What special terms do I need to know to understand this part?

* * * * *

Converted bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

* * * * *

PART 360—REGULATIONS GOVERNING DEFINITIVE UNITED STATES SAVINGS BONDS, SERIES I

■ 18. The authority citation for part 360 continues to read as follows:

Authority: 5 U.S.C. 301; 31 U.S.C. 3105 and 3125.

■ 19. Revise § 360.0 to read as follows:

§ 360.0 Applicability.

(a) The regulations in this part apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

■ 20. Amend § 360.2 by redesignating paragraphs (b) through (l) as paragraphs (c) through (m), and add new paragraph (b), to read as follows:

§ 360.2 Definitions.

* * * * *

(b) *Converted savings bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

* * * * *

■ 21. Add § 360.3 to read as follows:

§ 360.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.

Series I savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is www.treasurydirect.gov. Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

PART 363—REGULATIONS GOVERNING SECURITIES HELD IN THE NEW TREASURY DIRECT SYSTEM

■ 22. The authority citation for part 363 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3102, *et seq.*; 31 U.S.C. 3121, *et seq.*

■ 23. Revise § 363.3 to read as follows:

§ 363.3 What Treasury securities may I hold in my New Treasury Direct account?

You may hold the following securities in your New Treasury Direct account:

(a) Book-entry Series EE and Series I savings bonds;

(b) Certificates of indebtedness; and

(c) Series E, Series EE, and Series I savings bonds originally issued in definitive form that have been converted to book-entry bonds.

■ 24. Revise § 363.4 to read as follows:

§ 363.4 How is New Treasury Direct different from the TreasuryDirect system?

New Treasury Direct is an online (Internet accessible only) system that currently provides for the purchase and holding of book-entry savings bonds and certificates of indebtedness, and the holding of definitive savings bonds that have been converted to book-entry

bonds. There is a separate TreasuryDirect system (TreasuryDirect) available since 1986 for purchasing and holding only marketable Treasury securities as book-entry products. The TreasuryDirect system for marketable securities offers limited online services. The terms and conditions for the TreasuryDirect system for marketable securities are found at 31 CFR part 357.

■ 25. Amend § 363.6 by revising the definitions of “Beneficiary”, “Owner,” and “Single owner,” and adding the definitions of “Conversion account,” “Converted savings bond,” “Converting coowner,” “Coowner,” and “Non-converting coowner” to read as follows:

§ 363.6 What special terms do I need to know to understand this part?

* * * * *

Beneficiary refers to the second individual named in the registration of a definitive savings bond, a converted definitive savings bond, or a book-entry security purchased through the New Treasury Direct system, registered, *e.g.*, “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.”

* * * * *

Conversion account means a linked account in New Treasury Direct that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

Converted savings bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

Converting coowner is the coowner who initiates and completes the transaction to convert a definitive savings bond to a book-entry bond through his or her New Treasury Direct account.

Coowner means either of the persons named in the registration of a definitive or a converted definitive savings bond, registered, *e.g.*, “John Doe SSN 123–45–6789 or Joseph Doe.”

* * * * *

Non-converting coowner is the coowner who does not participate in the transaction to convert a definitive savings bond to a book-entry bond.

* * * * *

Owner is either a single owner, the first person named in the registration of a security held in the owner with beneficiary form of registration, the primary owner of a security held in the primary owner with secondary owner

form of registration, or either coowner of a converted savings bond.

* * * * *

Single owner means the individual named in the registration of a book-entry Treasury security or a converted savings bond without a beneficiary, secondary owner, or coowner.

* * * * *

■ 26. Amend § 363.15 by revising paragraphs (a)(1), (a)(2), (a)(3), and (b)(3) to read as follows:

§ 363.15 What is a New Treasury Direct account?

* * * * *

(a) * * *

(1) Treasury securities purchased initially as book-entry securities that are your personal holdings, in sole owner, owner with beneficiary, and primary owner with secondary owner forms of registration;

(2) Gifts that have not yet been delivered; and

(3) Converted savings bonds that you have transferred from your conversion linked account.

(b) * * *

(3) *Conversion account* means a linked account in New Treasury Direct that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

■ 27. Revise § 363.24 to read as follows:

§ 363.24 What transactions can I perform online through my New Treasury Direct account?

The following transactions are by way of illustration only, and are not intended to limit transactions that may be added to the system:

(a) You can purchase, redeem, transfer, and change the registration of eligible securities held in your account;

(b) You can grant and revoke the right to view an eligible security to any other New Treasury Direct account owner;

(c) You can grant and revoke the right to redeem an eligible security on which you are the primary owner to the secondary owner, if the secondary owner is a New Treasury Direct account owner;

(d) You can view or redeem eligible securities through your New Treasury Direct account on which you are the secondary owner, if the primary owner has granted those rights to you;

(e) You can deliver gift securities to the New Treasury Direct account of another person;

(f) You can make changes to your account information, including ACH information, password changes, and account security information;

(g) You can view a history of purchases, transactions, changes to

account information, and pending transactions;

(h) You can schedule future transactions, and change or delete pending transactions;

(i) You can open and access any linked accounts using your primary account as a portal; and

(j) You can convert eligible definitive savings bonds to book-entry bonds.

■ 28. Revise § 363.36 to read as follows:

§ 363.36 What securities can I purchase and hold in my New Treasury Direct account?

(a) You can purchase and hold eligible Treasury securities in your account. Eligible securities are Series EE and Series I savings bonds and certificates of indebtedness.

(b) You can hold converted savings bonds in your account.

■ 29. Revise § 363.40 to read as follows:

§ 363.40 How are payments of principal and interest made?

(a) *Matured security.* We will purchase a certificate of indebtedness in your name using the proceeds of a matured security. The certificate of indebtedness will be placed in your account.

(b) *Savings bond that is redeemed prior to final maturity.* (1) *Payment.* When you redeem a savings bond and request payment of the proceeds, you must select a specific bank account at a United States depository financial institution for the receipt of your payment. This selected bank account may be the same one that you designated as your primary bank account in your New Treasury Direct account or it may be a different bank account. We will make the payment using the ACH method.

(2) *Purchase of a certificate of indebtedness.* You may elect to purchase a certificate of indebtedness in your name using your redemption proceeds.

■ 30. Revise § 363.50 to read as follows:

§ 363.50 What Treasury securities does this subpart govern?

This subpart governs:

(a) Series EE and Series I book-entry savings bonds that were originally issued as book-entry bonds through New Treasury Direct; and

(b) Converted savings bonds that are registered in:

(1) The single owner form of registration of any series,

(2) The owner with beneficiary form of registration of Series EE and Series I savings bonds,

(3) The owner with beneficiary form of registration of Series E savings bonds

in which the beneficiary has consented to a change in the registration of the bond after conversion, and

(4) The coowner form of registration of any series in which the non-converting coowner has consented to a change in the registration of the bond after conversion.

§§ 363.175–363.177 [Redesignated as §§ 363.200–363.202]

■ 31. Redesignate §§ 363.175–363.177 as §§ 363.200–363.202.

■ 32. Add subpart E to read as follows:

Subpart E—Conversion of a Definitive Savings Bond

Sec.

363.160 What subparts govern the conversion of definitive savings bonds?

363.161 What definitive savings bonds are eligible to be converted to book-entry bonds?

363.162 Who may convert a definitive savings bond?

363.163 How do I convert an eligible definitive savings bond?

363.164 Is a converted savings bond eligible to be converted back into a definitive bond?

363.165 What happens when I convert a savings bond that is registered in my name as the owner, either coowner, or the owner with a beneficiary?

363.166 What happens when I convert a savings bond that is not registered in my name as owner, either coowner, or owner with beneficiary (including a bond registered in the name of a minor)?

363.167 How will a converted savings bond be registered?

363.168 What rules regarding registration apply to a converted savings bond?

363.169 What transactions can I conduct in a converted savings bond on which I am registered as the single owner, either coowner, or the owner with a beneficiary?

363.170 What transactions can I conduct in a savings bond that I converted on which I am not registered as the owner, either coowner, or owner with beneficiary?

363.171 How do I redeem a converted savings bond?

363.172 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to a converted savings bond held in the account?

363.173 What are the rules for judicial and administrative actions involving a converted savings bond held in New Treasury Direct?

363.174 What evidence is required to establish the validity of judicial proceedings involving a converted savings bond?

363.175 Will Public Debt pay a converted savings bond pursuant to a forfeiture proceeding?

363.176 May a converted savings bond be pledged or used as collateral?

363.177 Does Public Debt reserve the right to require that any transaction in a

converted savings bond be conducted in paper form?

363.178 Does Treasury reserve the right to suspend transactions in a converted savings bond?

363.179 Does Public Debt make any reservations as to the conversion of an eligible savings bond?

363.180–363.199 [Reserved]

§ 363.160 What subparts govern the conversion of definitive savings bonds?

(a) This subpart governs:

(1) The process of converting definitive savings bonds of all eligible series and types of registration to book-entry bonds in New Treasury Direct;

(2) Converted savings bonds of all series registered in the coowner form of registration, unless the non-converting coowner consents to a change in the registration of the bonds after conversion;

(3) Converted savings bonds of Series E registered in the owner with beneficiary form of registration, unless the beneficiary consents to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series that are held in the as a gift bond by the person who converted the bonds.

(b) Subpart C governs:

(1) Converted savings bonds of any series registered in the single owner form of registration;

(2) Converted Series EE and Series I savings bonds registered in the owner with beneficiary form of registration;

(3) Converted Series E savings bonds registered in the owner with beneficiary form of registration, where the beneficiary has consented to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series registered in the coowner form of registration, where the non-converting coowner has consented to a change in the registration of the bonds after conversion.

§ 363.161 What definitive savings bonds are eligible to be converted to book-entry bonds?

Series E, Series EE, and Series I savings bonds issued in denominations of \$25 or greater, in single owner, coowner, or owner with beneficiary forms of registration, are eligible for conversion to book-entry bonds in New Treasury Direct.

§ 363.162 Who may convert a definitive savings bond?

The owner of a New Treasury Direct primary account may convert a definitive savings bond.

(a) *Bond that is registered to the account owner.* The owner of a definitive savings bond registered in the

single owner form of registration, either coowner of a bond registered in the coowner form of registration, and the owner of a bond registered in the owner with beneficiary form of registration of all eligible series, may convert that definitive bond to a book-entry bond to be held in his or her New Treasury Direct account.

(b) *Bond that is registered to someone other than the account owner.* We will convert an eligible definitive savings bond submitted by someone other than the registered owner of the savings bond. See the special rules in section 363.166.

§ 363.163 How do I convert an eligible definitive savings bond?

We will provide online instructions for converting your definitive savings bond. You must surrender to us the definitive bond to be converted at the time of conversion.

§ 363.164 Is a converted savings bond eligible to be converted back into a definitive bond?

Once a definitive savings bond has been converted to a book-entry bond, it may not be converted back into a definitive bond.

§ 363.165 What happens when I convert a savings bond that is registered in my name as the owner, either coowner, or the owner with a beneficiary?

(a) *Unmatured savings bond.* When the conversion is approved, an unmatured savings bond that is registered in the name of the New Treasury Direct account owner as single owner, either coowner, or owner with beneficiary, will be released to the account owner's conversion linked account.

(b) *Matured savings bond.* A matured savings bond that is registered in the name of the New Treasury Direct account owner as single owner, either coowner, or owner with beneficiary, will be converted to a book-entry bond and automatically redeemed. The redemption proceeds will be used to purchase a certificate of indebtedness in the account owner's name in his or her primary account.

§ 363.166 What happens when I convert a savings bond that is not registered in my name as owner, either coowner, or owner with beneficiary (including a bond registered in the name of a minor)?

We will presume that a savings bond registered in the name of someone other than the New Treasury Direct account owner (including a bond registered in the name of a minor), was purchased by the account owner as a gift for the registered owner.

(a) *Unmatured savings bond.* (1) *General.* An unmatured savings bond registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond to the account owner's conversion linked account, and held until delivered to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of unmatured gift bond to registered owner.* The New Treasury Direct account owner may deliver the converted gift bond to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner, or, if the bond is registered in the coowner form of registration, to the account of either coowner. A bond registered in coowner or owner with beneficiary form of registration will retain the coowner or beneficiary form of registration upon delivery.

(b) *Matured savings bond.* (1) *General.* A matured savings bond registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond into the account owner's conversion linked account, and automatically redeemed. We will hold the redemption proceeds in the name of the registered owner of the definitive bond until the proceeds are delivered to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of matured, redeemed bond proceeds to registered owner.* If the gift bond has matured and has been automatically redeemed, then the New Treasury Direct account owner may direct that the held redemption proceeds be delivered to the New Treasury Direct account of the registered owner (or minor linked account, if the registered owner is a minor), where we will use the proceeds to purchase a certificate of indebtedness in the name of the registered owner. If the bond is registered in the coowner form of registration, the account owner may direct that the held redemption proceeds be delivered to the account of either coowner, where we will use the proceeds to purchase a certificate of indebtedness in the name of the coowner to whose account the bond was delivered.

§ 363.167 How will a converted savings bond be registered?

The registration of the converted bond will be the same as on the definitive bond, provided that it was registered properly in an authorized form of registration. We will change a definitive

savings bond that was not registered in an authorized form of registration to the closest authorized form of registration. For example, a definitive savings bond erroneously registered "John Doe and Jane Doe" will be changed to "John Doe or Jane Doe." We are not liable to any person for any such decision as to the closest form of authorized registration.

§ 363.168 What rules regarding registration apply to a converted savings bond?

(a) *Savings bond of any series registered in the single owner form of registration.* By converting a definitive bond of any eligible series registered in the single owner form of registration to book-entry in New Treasury Direct, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(b) *Savings bond of Series EE or Series I registered in the owner with beneficiary form of registration.* By converting a definitive bond of Series EE or Series I registered in an owner with beneficiary form of registration to a book-entry bond in New Treasury Direct, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The registration of a converted savings bond of Series E registered in the owner with beneficiary form of registration may be changed upon the request of the owner and the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account.

(d) *Savings bond of any series registered in the coowner form of registration.* The registration of a converted savings bond of any eligible series registered in the coowner form of registration may be changed upon the request of one coowner and the consent of the other coowner. The transaction will not be conducted through the registered owner's New Treasury Direct account.

§ 363.169 What transactions can I conduct in a converted savings bond on which I am registered as the single owner, either coowner, or the owner with a beneficiary?

(a) *Savings bond of any series registered in the single owner form of registration.* By converting a definitive savings bond to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in New Treasury Direct. The bond will be subject to the provisions of subpart C of this part. Any

transaction available for a book-entry bond originally issued in the New Treasury Direct system is available for a converted bond registered in single owner form of registration.

(b) *Savings bond of Series EE and Series I registered in the owner with beneficiary form of registration.* By converting a definitive savings bond to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in New Treasury Direct. The bond will be subject to the provisions of subpart C of this part. Any transaction available for a book-entry bond purchased in the New Treasury Direct system is available for a converted bond of Series EE and Series I registered in the owner with beneficiary form of registration.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The owner of a converted Series E bond registered in the owner with beneficiary form of registration may make the following transactions:

(1) *Provide view rights to the beneficiary.* The owner may provide the beneficiary with the right to view the bond in the beneficiary's New Treasury Direct account. Once the right to view the bond is provided to the beneficiary, the owner may not revoke that right.

(2) *Transfer without change in registration.* The owner may transfer the bond without a change of registration to another account in the name of the owner.

(3) *Remove the beneficiary from the registration.* The owner may remove the beneficiary's name from the registration with the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be changed to the single owner form of registration. Once the transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(4) *Transfer to the beneficiary or a third party with a change in registration.* The owner may remove his or her name from the registration and transfer the bond to the account of the beneficiary or a third party, with the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury

Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(d) *Savings bond of any series registered in the coowner form of registration.* The converting coowner of a converted bond registered in the coowner form of registration may make the following transactions:

(1) *Provide view or transact rights to non-converting coowner.* The converting coowner may provide the non-converting coowner with the rights to view the bond or to view and redeem the bond through the non-converting coowner's New Treasury Direct account. Once either of these rights is provided to the non-converting coowner, the converting coowner may not revoke the right.

(2) *Transfer without change in registration.* The converting coowner may transfer the bond without a change in registration to another account in the name of the converting coowner. The bond may be transferred without the consent of the non-converting coowner, and will retain the coowner registration.

(3) *Remove a coowner from the registration.* The converting coowner (or the non-converting coowner, if the bond has been previously transferred to the account of the non-converting coowner) may remove the other coowner from the registration. The consent of the other coowner is required. The bond must reside in the account of the coowner who is requesting the transaction. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond's registration will be changed to the single owner form of registration. Once this transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(4) *Transfer to non-converting coowner or a third party with a change in registration.* The converting coowner may remove his or her name from the registration and transfer the bond to either the account of the non-converting coowner or to the account of a third party. The consent of the non-converting coowner is required. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry

bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

§ 363.170 What transactions can I conduct in a savings bond that I converted on which I am not registered as the owner, either coowner, or owner with beneficiary?

The only transaction that you may conduct on a savings bond that you converted on which you are not registered as the owner, either coowner, or owner with beneficiary is to deliver the converted bond to the New Treasury Direct account of the registered owner.

§ 363.171 How do I redeem a converted savings bond?

(a) *Before final maturity.* (1) *Savings bond of any series registered either in the single owner or owner with beneficiary form of registration.* You may redeem your converted savings bond any time prior to final maturity after the minimum holding period through your New Treasury Direct account.

(2) *Savings bond of any series registered in the coowner form of registration.* The converting coowner may redeem the converted savings bond at any time prior to final maturity after the minimum holding period through his or her New Treasury Direct account. The non-converting coowner may redeem the converted savings bond at any time prior to final maturity after the minimum holding period provided that he or she has been granted transaction rights in the converted bond by the converting coowner.

(b) *Upon final maturity.* (1) *Savings bond of any series registered in the single owner, owner with beneficiary, or coowner forms of registration.* If you have not previously redeemed or transferred your converted savings bond, it will be automatically redeemed for you at final maturity.

(2) The redemption proceeds will be automatically used to purchase a certificate of indebtedness registered in your name and held in your New Treasury Direct account.

§ 363.172 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to a converted savings bond held in the account?

(a) *Estate is being administered.* (1) We will require appropriate proof of appointment for the legal representative of the estate. Letters of appointment must be dated within six months of submission, unless the appointment was made within one year before submission.

(2) The legal representative of the estate may request the payment of a converted savings bond, if the converted savings bond is eligible for redemption, to the estate or to the person(s) entitled, or may request transfer of the converted savings bond to the New Treasury Direct account(s) of the person(s) entitled, if the converted savings bond is eligible for transfer.

(3) The legal representative of the estate may not purchase a bond on behalf of the estate.

(4) If payment is requested, we will require ACH instructions.

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of a converted savings bond, if the converted savings bond is eligible for redemption, or may distribute the converted savings bond by transferring it to the New Treasury Direct account of the person(s) entitled, if the converted savings bond is eligible for transfer. If payment is requested, we will require ACH instructions. We will require a certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of a converted savings bond, if the converted savings bond is eligible for redemption, or may distribute the converted savings bond by transferring it to the New Treasury Direct account(s) of the person(s) entitled, if the converted savings bond is eligible for transfer. We will require appropriate evidence. If payment is requested, we will require ACH instructions.

(d) *Survivors' order of precedence for payment or transfer.* If there has been no administration, no administration is contemplated, no summary or small estate procedures have been used, and the total redemption value of the Treasury securities that are the property of the decedent's estate is \$100,000 or less, then the converted savings bond or redemption proceeds may be distributed to the persons named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendants of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the

decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class.

(3) There is no surviving spouse and there is a surviving child or descendants of deceased children: to the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: to the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: to the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: to other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: to persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: to the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person has not been reimbursed. Transfers are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments according to paragraph (d) of this section, we will make the payments by the ACH method to either a person individually, or individually and on behalf of all other persons entitled. We will require ACH instructions for payment. A person who receives a converted savings bond or payment of security proceeds individually and on behalf of others agrees to make

distribution or payment to the other persons entitled by the law of the decedent's domicile. The provisions of this section are for our convenience and do not determine ownership of a converted savings bond or its proceeds. We may rely on information provided by the person who requests payment or transfer, and are not liable for any action taken in reliance on the information furnished.

§ 363.173 What are the rules for judicial and administrative actions involving a converted savings bond held in New Treasury Direct?

(a) *Notice of adverse claim or pending judicial proceedings.* We are not subject to and will not accept a notice of an adverse claim or notice of pending judicial proceedings involving a converted savings bond held in New Treasury Direct.

(b) *Competing claims to a converted savings bond.* Treasury, Public Debt, and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a converted savings bond held in New Treasury Direct.

(c) *Divorce decree.* We will recognize a divorce decree that either disposes of a converted savings bond held in New Treasury Direct or ratifies a property settlement agreement disposing of the converted savings bond of either of the parties. If the divorce decree does not set out the terms of the property settlement agreement, we will require a certified copy of the agreement.

(d) *Final court order.* We will recognize a final order entered by a court that affects ownership rights in a converted savings bond held in New Treasury Direct only to the extent that the order is consistent with the provisions of this part. The owner of the converted savings bond must be a party to the proceedings.

(e) *Levy to satisfy money judgment.* We will honor a payment request submitted by a person appointed by a court and having authority under an order of a court to dispose of a converted savings bond held in New Treasury Direct pursuant to a money judgment against the owner of the converted savings bond, as owner is defined in section 363.6 of this part. We will only make payment to the extent of the money judgment; we will not transfer the bond.

(f) *IRS administrative levy.* We will honor an IRS administrative levy under section 6331 of the Internal Revenue Code with respect to the owner, as owner is defined in section 363.6 of this part.

(g) *Trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer.* We will honor a payment request submitted by a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer, if the original court order is against the owner, as owner is defined in section 363.6 of this part; we will not transfer the bond.

(h) *Court order that attempts to defeat or impair survivorship rights.* We will not recognize a judicial determination that attempts to defeat or impair the survivorship rights of a beneficiary, secondary owner, coowner, or the registered owner(s) of an undelivered gift that is a converted savings bond held in New Treasury Direct.

§ 363.174 What evidence is required to establish the validity of judicial proceedings involving a converted savings bond?

(a) We will require certified copies of the final judgment, decree, or court order, and any necessary supplementary proceedings.

(b) A payment request by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of appointment and qualification.

(c) A payment request by a receiver in equity or a similar court officer (other than a receiver of an insolvent's estate) must be supported by a copy of an order that authorizes the receiver or similar court officer to dispose of the converted savings bond.

§ 363.175 Will Public Debt pay a converted savings bond pursuant to a forfeiture proceeding?

(a) *General.* We will honor a judicial or administrative forfeiture order submitted by a federal agency. We will rely exclusively upon the information provided by the forfeiting agency and will not make any independent evaluation of the validity of the forfeiture order, the request for payment, or the authority of the individual signing the payment request. The amount to be paid is limited to the redemption value of the converted savings bond as of the date of forfeiture.

(b) *Definition of special terms relating to forfeitures.*

Contact point means the individual designated by the Federal investigative agency, United States Attorney's Office, or forfeiting agency, to receive referrals from Public Debt.

Forfeiting agency means the Federal law enforcement agency responsible for the forfeiture.

Forfeiture means the process by which property may be forfeited by a Federal agency. Administrative

forfeiture is forfeiture by a Federal agency without judicial proceedings; judicial forfeiture is a forfeiture through either a civil or criminal proceeding in a United States District Court resulting in a final judgment and order of forfeiture.

(c) *Procedures for a forfeiting agency to request forfeiture of Treasury securities.* A forfeiting agency must request forfeiture. An individual authorized by the forfeiting agency must sign the transaction request. The request must be mailed to the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV 26106-1328.

(d) *Public Debt procedures upon receipt of forfeiture request.* Upon receipt and review of the transaction request, we will make payment to the forfeiture fund specified. We will record the forfeiture, the forfeiture fund into which the proceeds were paid, the contact point, and any related information.

(e) *Inquiries from previous owner.* All inquiries or claims from the previous owner will be referred to the contact point of the forfeiting agency. We will tell the person who inquired that we referred his or her inquiry to the contact point. We will not investigate the inquiry. We will defer to the forfeiting agency's determination of the appropriate course of action, including settlement where appropriate. Any settlement will be paid from the forfeiture fund into which the proceeds were deposited.

§ 363.176 May a converted savings bond be pledged or used as collateral?

A converted savings bond may not be pledged or used as collateral for the performance of an obligation.

§ 363.177 Does Public Debt reserve the right to require that any transaction in a converted savings bond be conducted in paper form?

We reserve the right to require any transaction to be conducted in paper form. Signatures on paper transactions must be certified or guaranteed as provided in § 363.43.

§ 363.178 Does Treasury reserve the right to suspend transactions in a converted savings bond?

We reserve the right to suspend transactions in a converted savings bond held in New Treasury Direct if we deem it to be in the best interests of the United States.

§ 363.179 Does Public Debt make any reservations as to the conversion of an eligible savings bond?

We may reject any application for conversion or refuse to convert a savings

bond in any case or class of cases, if we interest. Our action in any such respect
deem the action to be in the public is final.

§§ 363.180–363.199 [Reserved]

Dated: January 15, 2005.
Donald V. Hammond,
Fiscal Assistant Secretary.
[FR Doc. 05–5621 Filed 3–22–05; 8:45 am]
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Department of the Treasury



Fiscal Service, Bureau of the Public Debt

**Part 316 - Offering of United States Savings Bonds,
Series E**

Department Circular No. 653

(As of July 2004)

PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E

Sec.

- 316.1 Offering of bonds.
- 316.2 Description of bonds.
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- 316.13 Reservation as to terms of offer.

AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 57 FR 14276, Apr. 17, 1992, unless otherwise noted.

§ 316.1 Offering of bonds.

The Secretary of the Treasury offered for sale to the people of the United States, United States Savings Bonds of Series E, hereinafter generally referred to as "Series E bonds" or "bonds".

This offer was terminated as of December 31, 1979, except that, as to bonds purchased under payroll savings plans and employee plans, the offer was terminated as of June 30, 1980.

§ 316.2 Description of bonds.

(a) *General.* Series E bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. They were issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series E bonds were issued on a discount basis. The denominations and issue prices were:

| Denomination | Issue price |
|----------------------------|-------------|
| \$25 | \$18.75 |
| 50 | 37.50 |
| 75 | 56.25 |
| 100 | 75.00 |
| 200 | 150.00 |
| 500 | 375.00 |
| 1,000 | 750.00 |
| 10,000 | 7,500.00 |
| 100,000 ¹ | 75,000.00 |

¹The \$100,000 denomination was available only for purchase by trustees of employee savings and savings and vacation plans (see paragraph (b) of § 316.5).

(c) *Inscription and issue.* At the time of issue, the issuing agent:

(1) Inscribed on the face of each bond the name, social security number and address of the owner, and the name of the beneficiary, if any, or the name, social security number and address of the first-named coowner and the name of the other coowner (the inscription of the social security number was required for bonds issued on or after January 1, 1974);

(2) Entered the issue date in the upper right-hand portion of the bond; and

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(3) Imprinted the agent's validation indicia in the lower right-hand portion to show the date the bond was actually inscribed. A bond was valid only if an authorized issuing agent received payment therefor and duly inscribed, dated and imprinted validation indicia on the bond.

(d) *Term.* A Series E bond was dated as of the first day of the month in which payment of the purchase price was received by an agent authorized to issue the bonds. This date is the issue date. The bonds mature as shown in § 316.8. The bond may not be called for redemption by the Secretary of the Treasury prior to maturity or the end of any extended maturity period (see paragraph (a) of § 316.8). The bond may be redeemed at the owner's option at any time at fixed redemption values.

(e) *Investment yield (interest).* The investment yield (interest) on Series E bonds is defined in paragraphs (c) and (d) of § 316.8. Beginning in the third month from its issue date, a bond increased in redemption value on the first day of each month, up to and including the thirtieth month from issue date, so as to provide for such period an investment yield of no less than 4 percent per annum, compounded semi-annually. Thereafter, its redemption value increases at the beginning of each successive half-year period. The interest is paid as part of the redemption value.

§ 316.3 Governing regulations.

Series E bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series A, B, C, D, E, F, G, H, J and K, contained in 31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revision.²

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§ 316.4 Registration.

Series E bonds were permitted to be registered as set forth in subpart B of

¹[Reserved]

²Copies may be obtained from any designated Federal Reserve Bank or Branch or the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328.

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31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revision.

§ 316.5 Limitation on holdings.

(a) *General limitation.* The amount of Series E bonds, originally issued during any one calendar year, that could be held by any one person, computed in accordance with the governing regulations, ranged from \$5,000 (face amount) to \$20,000 (face amount), depending upon the issue date.

(b) *Special limitation for employee savings plans.* A special limitation for employee savings plans was provided, which was \$2,000 (face amount) multiplied by the highest number of participants in any employee savings plan, as defined in paragraph (b)(1) of this section, at any time during the year in which the bonds were issued. The plan had to be established, as set forth below.

(1) *Definition of plan and conditions of eligibility.* (i) The employee savings plan must have been established by the employer for the exclusive and irrevocable benefit of employees or their beneficiaries, afforded employees the means of making regular savings from their wages through payroll deduction, and provided for employer contributions to be added to such savings.

(ii) The entire assets thereof must have been credited to the individual accounts of participating employees and the assets so credited could be distributed only to the employees or their beneficiaries, except as otherwise provided herein.

(iii) Series E bonds were to be purchased only with assets credited to the accounts of participating employees and only if the amount taken from any account at any time for that purpose was equal to the purchase price of a bond or bonds in an authorized denomination or denominations, and shares therein were credited to the accounts of the individuals from whom the purchase price thereof was derived, in amounts corresponding with such shares. For example, if \$37.50 credited to the account of John Jones was commingled with funds credited to the accounts of other employees to make a total of \$7,500, with which a Series E bond in the denomination of \$10,000

(face amount) was purchased in December 1978 and registered in the name and title of the trustee, the plan must have provided, in effect, that John Jones' account would be credited to show that he was the owner of a Series E bond in the denomination of \$50 (face amount) bearing the issue date of December 1, 1978.

(iv) Each participating employee has an irrevocable right at any time to demand and receive from the trustee all assets credited to his or her account or the value thereof, if he or she so prefers, without regard to any condition other than the loss or suspension of the privilege of participating further in the plan. However, a plan was not deemed to be inconsistent herewith if it limited or modified the exercise of any such right by providing that the employer's contribution did not vest absolutely until the employee had made contributions under the plan in each of not more than 60 calendar months succeeding the month for which the employer's contribution was made.

(v) Upon the death of an employee, his or her beneficiary has the absolute and unconditional right to demand and receive from the trustee all assets credited to the account of the employee, or the value thereof, if he or she so prefers.

(vi) When settlement is made with an employee, or his or her beneficiary, with respect to any bond registered in the name and title of the trustee in which the employee has a share (see paragraphs (b)(1) (ii) and (iii) of this section), the bond must be submitted for redemption or reissue to the extent of such share. If an employee or his or her beneficiary is to receive distribution in kind, bonds bearing the same issue dates as those credited to the employee's account will be reissued in the name of the distributee to the extent to which he or she is entitled, in any authorized form of registration, upon the request and certification of the trustee, in accordance with the governing regulations.

(2) *Definitions of terms used in paragraph (b)—related provisions.* (i) The term *savings plan* includes any regulations issued under the plan with regard to Series E bonds. A trustee desiring to purchase bonds in excess of the general

limitation in any calendar year should have submitted to the Federal Reserve Bank of the district a copy of the plan, any such regulations, and the trust agreement, all certified to be true copies, in order to establish eligibility.

(ii) The term *assets* means all funds, including the employee contributions and employer contributions and assets purchased therewith, as well as accretions thereto, such as dividends on stock, the increment in value on bonds and all other income; but, notwithstanding any other provision of this paragraph, the right to demand and receive all assets credited to the account of an employee shall not be construed to require the distribution of assets in kind when it would not be possible or practicable to make such distribution; for example, Series E bonds may not be reissued in unauthorized denominations, and fractional shares of stock are not readily distributable in kind.

(iii) The term *beneficiary* means the person or persons, if any, designated by the employee in accordance with the terms of the plan to receive the benefits of the trust upon his or her death, or the estate of the employee, and the term *distributee* means the employee, or his or her beneficiary.

§ 316.6 Purchase of bonds.

Series E bonds were purchased, as follows:

(a) *Over-the-counter for cash*—(1) *Bonds registered in names of natural persons in their own right only.* At such incorporated banks, trust companies, and other agencies as had been duly qualified as issuing agents.

(2) *Bonds registered in names of trustees of employee savings plans.* At such incorporated bank, trust company, or other agency, duly qualified as an issuing agent, provided the agent was trustee of an approved employee savings plan eligible for the special limitation in paragraph (b) of § 316.5 and prior approval to issue the bonds was obtained from the Federal Reserve Bank of the agent's district.

(3) *Bonds registered in all authorized forms.* At Federal Reserve Banks and Branches and at the Department of the Treasury, Washington, DC 20226.

(b) *On mail order.* By mail upon application to any Federal Reserve Bank or

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Branch or to the Department of the Treasury, accompanied by a remittance to cover the issue price. Any form of exchange, including personal checks, was accepted, subject to collection. Checks or other forms of exchange were to be drawn to the order of the Federal Reserve Bank or the United States Treasury, as the case may be. Checks payable by endorsement were not acceptable. Any depositary qualified pursuant to the provisions of 31 CFR part 203, also published as Department of the Treasury Circular No. 92, current revision, was permitted to make payment by credit for bonds applied for on behalf of its customers up to any amount for which it was qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

(c) *Savings stamps.* The sale of United States Savings Stamps was terminated effective June 30, 1970. However, outstanding stamps affixed in fully or partially completed albums could be used to purchase Series E bonds at banks or other financial institutions authorized to issue such bonds. Stamps may be redeemed at banks and other financial institutions, through designated Federal Reserve Banks and the Bureau of the Public Debt, Parkersburg, West Virginia.

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§316.7 Delivery of bonds.

Issuing agents were authorized to deliver Series E bonds either over-the-counter in person, or by mail at the risk and expense of the United States, to the address given by the purchaser, but only within the United States, its territories and possessions, and the Commonwealth of Puerto Rico. No mail deliveries elsewhere were made. If purchased by citizens of the United States temporarily residing abroad, the bonds were delivered to such address in the United States as the purchaser directed.

§316.8 Extended terms and yields for outstanding bonds.

(a) *General.* The terms *extended maturity period*, *second extended maturity period*, *third extended maturity period* and *fourth extended maturity period*, when

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used herein, refer to periods of 10 years or less after the original maturity dates during which owners may retain their bonds and continue to earn interest. No special action is required to take advantage of any extensions heretofore or herein granted. Series E bonds cease to accrue interest upon reaching final maturity.

(b) *Extended maturity periods—(1) Bonds issued from May 1, 1941 through April 1, 1952.* Series E bonds with issue dates of May 1, 1941, through April 1, 1952, reached or will reach final maturity 40 years after their respective issue dates, as shown below.

| Issue dates—1st day of | Life of bonds yrs. | Final maturity dates—1st day of |
|------------------------|--------------------|---------------------------------|
| May 1941–Apr. 1952 .. | 40 | May 1981–Apr. 1992. |

(2) *Bonds issued from May 1, 1952 through November 1, 1965.* Bonds with issue dates of May 1, 1952, through November 1, 1965, will receive an additional extension of maturity ranging from 4 months to 2 years and 3 months, as shown below, so that these bonds will reach final maturity 40 years after their respective issue dates.

| Issue dates—1st day of | Previous maturities | | Previous maturity dates—1st day of |
|------------------------|---------------------|------|------------------------------------|
| | yrs. | mos. | |
| May 1952–Jan. 1957 | 39 | 8 | Jan. 1992–Sept. 1996. |
| Feb. 1957–May 1959. | 38 | 11 | Jan. 1996–Apr. 1998. |
| Jun. 1959–Nov. 1965. | 37 | 9 | Mar. 1997–Aug. 2003. |

| Issue dates—1st day of | Additional extended maturity period | | Life of bonds—yrs. |
|---------------------------|-------------------------------------|------|--------------------|
| | yrs. | mos. | |
| May 1952–Jan. 1957 | | 4 | 40 |
| Feb. 1957–May 1959 | 1 | 1 | 40 |
| Jun. 1959–Nov. 1965 | 2 | 3 | 40. |

| Issue dates—1st day of | Final maturity dates—1st day of |
|---------------------------|---------------------------------|
| May 1952–Jan. 1957 | May 1992–Jan. 1997. |
| Feb. 1957–May 1959 | Feb. 1997–May 1999. |
| Jun. 1959–Nov. 1965 | June. 1999–Nov. 2005. |

(3) *Bonds issued from December 1, 1965 through June 1, 1980.* Bonds with issue dates of December 1, 1965, through June 1, 1980, will receive an additional extension of maturity ranging from 3 years to 5 years, as shown below, so that

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these bonds will reach final maturity 30 years after their respective issue dates.

| Issue dates—1st day of | Previous maturities | | Previous maturity dates—1st day of |
|------------------------|---------------------|-------|------------------------------------|
| | yrs. | mos. | |
| Dec. 1965–May 1969. | 27 | | Dec. 1992–May 1996. |
| June 1969–Nov. 1973. | 25 | 10 | Apr. 1995–Sept. 1999. |
| Dec. 1973–Jun. 1980. | 25 | | Dec. 1998–Jun. 2005. |

| Issue dates—1st day of | Additional extended maturity period | | Life of bonds—yrs. |
|---------------------------|-------------------------------------|-------|--------------------|
| | yrs. | mos. | |
| Dec. 1965–May 1969 | 3 | | 30 |
| Jun. 1969–Nov. 1973 | 4 | 2 | 30 |
| Dec. 1973–Jun. 1980 | 5 | | 30 |

| Issue dates—1st day of | Final maturity dates—1st day of |
|---------------------------|---------------------------------|
| Dec. 1965–May 1969 | Dec. 1995–May 1999. |
| Jun. 1969–Nov. 1973 | Jun. 1999–Nov. 2003. |
| Dec. 1973–Jun. 1980 | Dec. 2003–Jun. 2010. |

(c) *Guaranteed minimum investment yield*—(1) *General*. Except as provided in paragraph (c)(2) of this section, the guaranteed minimum investment yields for outstanding Series E bonds are as follows:

(i) For Series E bonds that were in original or extended maturity periods prior to November 1, 1982, the guaranteed minimum investment yield was 8.5 percent per annum, compounded semiannually, effective for the period from the first semiannual interest accrual date on or after May 1, 1981, through the end of such periods, unless the bonds reached final maturity before November 1, 1981.³ For bonds that entered extensions, see paragraphs (c)(1)(ii) through (c)(1)(iv) of this section.

(ii) For Series E bonds that entered extended maturity periods during the period of November 1, 1982, through October 1, 1986, the guaranteed minimum yield was or is 7.5 percent per annum, compounded semiannually, for such pe-

riods, including bonds that entered into an extended maturity period, as shown below:

| Issue dates—1st day of— | Extension | Entered on 1st day of— |
|-------------------------|-----------|------------------------|
| Mar. 1953–Nov. 1957 | 3rd | Nov. 1982–Oct. 1986. |
| Feb. 1965–Dec. 1970 | 2nd | Nov. 1982–Oct. 1986. |
| Nov. 1977–June 1980 | 1st | Nov. 1982–June 1985. |

(iii) For Series E bonds that entered into extended maturity periods during the period of November 1, 1986, through February 1, 1993, the guaranteed minimum yield was or is 6 percent per annum, compounded semiannually, for such periods, including bonds that entered into an extended maturity period, as shown below:

| Issue dates—1st day of— | Extension ⁴ | Entered on 1st day of— |
|-------------------------|--------------------------------|------------------------|
| May 1952–Aug. 1953. | 4th (final) ⁵ | Jan. 1992–Apr. 1993. |
| Dec. 1957–May 1965. | 3rd | Nov. 1986–Feb. 1993. |
| Dec. 1965–Feb. 1966. | 3rd (final) | Dec. 1992–Feb. 1993. |
| Jan. 1971–Feb. 1978 | 2nd | Nov. 1986–Feb. 1993. |

⁴ Interest for interest accrual periods of less than 6 months is prorated.

⁵ All Series E bonds issued between May 1, 1941 and April 1, 1953, have matured and are no longer earning interest.

(iv) For Series E bonds entering extended maturity periods on or after March 1, 1993, the guaranteed minimum yield is 4 percent per annum, compounded semiannually, or the guaranteed minimum investment yield in effect at the beginning of the period, including bonds that enter extended maturity periods, as shown below:⁶

| Issue dates—1st day of— | Extension ⁷ | Entered on 1st day of— |
|-------------------------|------------------------|------------------------|
| Sep. 1953–May 1965. | 4th (final) | May 1993–Feb. 2003. |
| Jun. 1965–Nov. 1965. | 3rd | Mar. 1993–Aug. 1993. |
| Jun. 1965–Nov. 1965. | 4th (final) | Mar. 2003–Aug. 2003. |
| Mar. 1966–Feb. 1978. | 3rd (final) | Mar. 1993–Feb. 2003. |
| Mar. 1978–Jun. 1980. | 2nd | Mar. 1993–Jun. 1995 |

⁶ Series E bonds with issue dates of July 1 and August 1, 1953, entered a final maturity period of 4 months on March 1, and April 1, 1993, respectively, and received a minimum investment yield of 6 percent per annum, compounded semiannually, for that period.

⁷ [Reserved]

³ Series E bonds issued from May 1, 1941, through October 1, 1941, had reached final maturity May 1, 1981, through October 1, 1981, before the 8.5 percent yield had become effective.

^{4M5} [Reserved]

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| Issue dates—1st day of— | Extension ⁷ | Entered on 1st day of— |
|-------------------------|------------------------|------------------------|
| Mar. 1978–Jun. 1980. | 3rd (final) | Mar. 2003–Jun. 2005. |

⁷ See footnote 2 above.

(2) *Eleven-year bonus.* If a bond bearing an issue date of January 1, 1951, or thereafter, was held for the 11-year period from the first semiannual interest accrual period that began on or after January 1, 1980, its guaranteed minimum investment yield for such period was increased by one-half of one percent per annum, compounded semi-annually.

(d) *Market-based variable investment yield.* In order to be eligible for the market-based variable investment yield, Series E savings bonds had to be held at least five years beginning with the first semiannual interest accrual date occurring on or after November 1, 1982. The market-based variable investment yield shall be determined by the Secretary of the Treasury as follows:

(1) For each 6-month period, starting with the period beginning May 1, 1982, the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period is determined. Such determination by the Secretary of the Treasury or his or her delegate shall be final and conclusive.

(2) For bonds which entered an extended maturity period prior to May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, will be 85 percent, rounded to the nearest one-fourth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (d)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(3) For bonds which entered an extended maturity period on or after May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1989,

will be 85 percent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (d)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(e) *Determination of redemption values during any extended maturity period.* The redemption value of a bond on a given interest accrual date during any extended maturity period will be the higher of the value produced by using the applicable guaranteed minimum investment yield or the value produced by using the appropriate market-based variable investment yield. The calculation of these values is described below:

(1) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A bond has a guaranteed minimum investment yield for each of its extended maturity periods. The applicable guaranteed minimum investment yields for the current extended maturity period and any subsequent periods are specified in paragraph (c) of this section. In order to determine the value of a bond during an extended maturity period, the value of the bond either at the end of the next preceding maturity period or when the guaranteed minimum investment yield last increased,⁸ whichever occurs later, is determined using the applicable guaranteed minimum investment yield. This value is then used as the base upon which interest accrues during the extended maturity period at the guaranteed minimum investment yield in effect for savings bonds at the beginning of that period. The resulting semiannual values are then compared with the corresponding values determined by using the applicable market-based variable investment yields.

(2) *Market-based variable investment yield and resulting values during an extended maturity period.* The market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1,

⁸The 11-year bonus was the last increase in the guaranteed minimum investment yield (see paragraph (b)(2)). Series E bonds which were eligible to receive this bonus received it on the first semiannual interest accrual date occurring on or after January 1, 1991.

1982 to each semiannual interest accrual date occurring on or after November 1, 1987, is determined as specified in paragraph (d) of this section. The value of a bond on its first semiannual interest accrual date occurring on or after November 1, 1982 is used as the base upon which interest accrues during an extended maturity period at the applicable market-based variable investment yield. If redeemed, the bond will receive the higher of the two values produced by using the applicable guaranteed minimum investment yield and the applicable market-based variable investment yield.

(f) *Market-based variable investment yields and tables of redemption values.* The market-based variable investment yields for bonds redeemed during each 6-month period, beginning on May 1 and November 1 of each year, are made available prior to each of those dates by the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328, accompanied by tables of the redemption values of bonds for the following 6 months, based on either the applicable market-based variable investment yields or guaranteed minimum investment yields.

[57 FR 14276, Apr. 17, 1992, as amended at 58 FR 60936, 60937, Nov. 18, 1993]

§ 316.9 Taxation.

(a) *General.* For the purpose of determining taxes and tax exemptions, the increment in value represented by the difference between the price paid for Series E bonds and the redemption value received therefor constitutes interest. Such interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all other taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

(b) *Federal income tax on bonds.* An owner of Series E bonds who is a cash-basis taxpayer may use either of the following two methods of reporting the increase in the redemption value of the bonds for Federal income tax purposes:

(1) Defer reporting the increase to the year of final maturity, actual redemption, or other disposition, whichever is earlier; or

(2) Elect to report the increases each year as they accrue, in which case the election applies to all Series E bonds then owned and those subsequently acquired, as well as to any other similar obligations purchased on a discount basis. If the method in paragraph (b)(1) of this section is used, the taxpayer may change to the method in paragraph (b)(2) of this section without obtaining permission from the Internal Revenue Service. However, once the election to use the method in paragraph (b)(2) of this section is made, the taxpayer may not change the method of reporting without permission from the Internal Revenue Service. For further information on Federal income taxes, the Service Center Director, or District Director, Internal Revenue Service, of the taxpayer's district may be contacted.

§ 316.10 Payment or redemption.

(a) *General.* A Series E bond may be redeemed in accordance with its terms at the appropriate redemption value shown in the applicable table described in paragraph (f) of § 316.8. The redemption values of bonds in the denomination of \$100,000 are not shown in the tables. However, the redemption value of a bond in that denomination will be equal to ten times the redemption value of a \$10,000 bond of the same issue date. A bond in a denomination higher than \$25 (face amount) may be redeemed in part but only in the amount of an authorized denomination or multiple thereof.

(b) *Federal Reserve Banks and Branches and United States Treasury.* Owners of Series E bonds may obtain payment upon presentation and surrender of the bonds to a Federal Reserve Bank or Branch referred to in § 316.12 or to the Department of the Treasury with the request for payment on the bonds duly executed and certified in accordance with the governing regulations.

(c) *Incorporated banks, savings and loan associations and other financial institutions.* (1) A financial institution qualified as a paying agent under the

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provisions of 31 CFR part 321, also published as Department of the Treasury Circular, Public Debt Series No. 750, as revised, will pay the current redemption value of a Series E bond presented for payment by an individual whose name is inscribed on the bond as owner or coowner, provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent, in accordance with Treasury instructions and identification guidelines, and signs and completes the requests for payment.

(2) A paying agent may (but is not required to) pay a Series E bond, at current redemption value, upon the request of a legal representative designated in the bond's registration by name and capacity, a court-appointed legal representative of the last-deceased registrant's estate, or a beneficiary, if he or she survives the owner, provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent, in accordance with Treasury in-

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structions, identification guidelines, and otherwise complies with evidentiary requirements.

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§316.11 Reservation as to issue of bonds.

The Secretary of the Treasury reserved the right to reject any application for purchase of Series E bonds, in whole or in part, and to refuse to issue, or permit to be issued hereunder, any such bonds in any case or any class or classes of cases if such action was deemed to be in the public interest. Any action in any such respect was final.

§316.12 Fiscal agents.

(a) Federal Reserve Banks and Branches referred to below, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury in connection with the redemption and payment of Series E bonds.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

| Servicing office | Reserve districts served | Geographic area served |
|---|--|--|
| Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240. | New York, Boston | CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands. |
| Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230. | Cleveland, Philadelphia. | DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle). |
| Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261. | Richmond, Atlanta | AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle). |
| Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480. | Minneapolis, Chicago. | IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI. |
| Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198. | Dallas, San Francisco, Kansas City, St. Louis. | AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU. |

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, such services will be phased out over the period prior to that date.

[59 FR 10535, Mar. 4, 1994]

§316.13 Reservation as to terms of offer.

The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this offering of bonds, or of any amendments or supplements thereto.